Saskatchewan
Finance

Annual Report 2004

Saskatchewan Government Insurance Service Recognition Plan

Saskatchewan Centennial 2005

105-04291/

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Saskatchewan
Finance

Her Honour, The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

Dear Madam:

Letter of Transmittal

I have the honour to transmit herewith the Annual Report of the Saskatchewan Government Insurance Service Recognition Plan for the year ending December 31, 2004.

I have the honour to be, Madam,

Your obedient servant,

Harry Van Mulligen
Minister of Finance

Saskatchewan
Public Employees
Benefits Agency

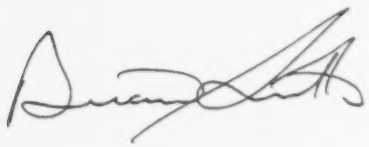
The Honourable Harry Van Mulligen
Minister of Finance
Regina, Saskatchewan

Sir:

Letter of Transmittal

On behalf of the Public Employees Benefits Agency, I have the honour to transmit herewith the Annual Report of the Saskatchewan Government Insurance Service Recognition Plan for the year ending December 31, 2004.

Respectfully submitted,



Brian Smith
Executive Director

Saskatchewan Government Insurance Service Recognition Plan

Introduction

Saskatchewan Government Insurance (SGI) established the Service Recognition Plan (the Plan) effective January 1, 1999 for the payment of retirement benefits to certain employees.

The Plan is not registered under the *Income Tax Act (Canada)*. SGI has not established a trust nor does it hold property for the specific purpose of providing benefits to participants of the Plan. Benefits are funded out of SGI's current operations.

SGI was the administrator of the Plan from January 1, 1999 to January 13, 2004. On January 13, 2004, an Order in Council designated the Public Employees Benefits Agency (PEBA) as the administrator of the Plan pursuant to *The Financial Administration Act, 1993*.

Enrollment

SGI out-of-scope employees receive benefits from the Plan, provided they meet eligibility requirements. At December 31, 2004, there were 201 (2003 – 203) members in the Plan and 10 (2003 – 8) terminated participants who received benefits from the Plan during the year.

Benefits

Participants in the Plan are eligible for benefits upon termination of employment provided they meet eligibility requirements where the sum of the employee's age and years of service equals 75. Employees meeting this criteria receive a lump sum payment of three days salary, based on the termination salary rate, for each year of service with SGI. For the President, SGI's Board of Directors may award a payment of up to five days salary for each year of service. Prior to 2003, employees meeting the criteria received a lump sum payment of two days salary for each year of service with SGI.

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

As administrators of the Saskatchewan Government Insurance Service Recognition Plan, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Saskatchewan Government Insurance Service Recognition Plan has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian generally accepted accounting principles.

The accrued benefits obligation is determined by an actuarial valuation. Actuarial valuation reports require best estimate assumptions about future events which require approval by management.

We enclose the financial statements of the Saskatchewan Government Insurance Service Recognition Plan for the year ended December 31, 2004 and the Provincial Auditor's report on these financial statements.

Brian Smith
Executive Director
Public Employees Benefits Agency

Kathy Morgan, Director
Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
February 4, 2005

ACTUARIES' OPINION

With respect to the Saskatchewan Government Insurance Service Recognition Plan (the Plan), I have prepared an actuarial valuation of the Plan's financial status to December 31, 2004. This valuation has been prepared for the purpose of determining the actuarial information to be included in the Plan's financial statements as of December 31, 2004.

In my opinion, for the purpose of this actuarial valuation:

- the data on which this valuation is based is sufficient and reliable;
- the actuarial cost methods employed are appropriate; and
- the valuation conforms with the requirements of the Canadian Institute of Chartered Accountants Handbook Section 3461.

Where applicable, the assumptions used in this actuarial valuation have been adopted as management's best estimates. Consequently, I have not rendered an opinion on these assumptions.

Emerging experience differing from the assumptions will result in gains or losses, which will be revealed in subsequent valuations.

This actuarial valuation has been prepared and this actuarial opinion has been given in accordance with accepted actuarial practice.

Larry Miller
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

February 4, 2005

SASKATCHEWAN GOVERNMENT INSURANCE SERVICE RECOGNITION PLAN

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2004

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits and accrued benefits obligation and surplus of the Saskatchewan Government Insurance Service Recognition Plan as at December 31, 2004, the statement of changes in net assets available for benefits and the statement of changes in accrued benefits obligation for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued benefits obligation and surplus of the Plan as at December 31, 2004 and the changes in net assets available for benefits and changes in accrued benefits obligation for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
February 4, 2005

Fred Wendel, CMA, CA
Provincial Auditor

SASKATCHEWAN GOVERNMENT INSURANCE **STATEMENT 1**
SERVICE RECOGNITION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS OBLIGATION AND SURPLUS

AS AT DECEMBER 31

	2004	2003
	(000's)	
ASSETS		
SGI contributions receivable (Note 3)	$3,255	$3,242
Total assets	3,255	3,242
NET ASSETS AVAILABLE FOR BENEFITS	3,255	3,242
Accrued benefits obligation (Note 3)	3,255	3,242
SURPLUS	$ -	$ -

(See accompanying notes to the financial statements)

SASKATCHEWAN GOVERNMENT INSURANCE
SERVICE RECOGNITION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

STATEMENT 2

YEAR ENDED DECEMBER 31

	2004	(000's)	2003
INCREASE IN ASSETS			
SGI contributions (Note 3)	$ 443		$1,387
Total increase in assets	443		1,387
DECREASE IN ASSETS			
Eligible employee terminations	(430)		(264)
Total decrease in assets	(430)		(264)
Increase in net assets	13		1,123
NET ASSETS AVAILABLE FOR BENEFITS, beginning of the year	3,242		2,119
NET ASSETS AVAILABLE FOR BENEFITS, end of the year	$3,255		$3,242

(See accompanying notes to the financial statements)

SASKATCHEWAN GOVERNMENT INSURANCE
SERVICE RECOGNITION PLAN
STATEMENT OF CHANGES IN ACCRUED BENEFITS OBLIGATION

STATEMENT 3

YEAR ENDED DECEMBER 31

	2004	2003
	(000's)	
Accrued benefits obligation, beginning of the year	$3,242	$2,119
INCREASE IN ACCRUED BENEFITS OBLIGATION:		
Benefits accrued	142	92
Interest on accrued obligation	179	116
Plan amendment (increase in benefit from 2 days to 3 days)	-	1,077
Past service costs	33	16
Actuarial losses	89	86
	443	1,387
DECREASE IN ACCRUED BENEFITS OBLIGATION:		
Eligible employee terminations	(430)	(264)
	(430)	(264)
Accrued benefits obligation, end of year	$3,255	$3,242

(See accompanying notes to the financial statements)

SASKATCHEWAN GOVERNMENT INSURANCE
SERVICE RECOGNITION PLAN
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2004

1. Description of the Plan

Saskatchewan Government Insurance (SGI) established the SGI Service Recognition Plan (the Plan) on January 1, 1999 for the purpose of providing certain retirement benefits under this Plan to SGI employees (the Participants).

The Plan is not registered under the *Income Tax Act (Canada)*. SGI has not established a trust nor does it hold property for the specific purpose of providing benefits to the participants. Benefits are funded out of current operations of SGI.

SGI managed the Plan from January 1, 1999 to January 13, 2004. On January 13, 2004, an Order in Council designated the Plan as a benefit program to be operated, administered and managed by the Public Employees Benefits Agency (PEBA). An agreement has been established between PEBA and SGI, which specifies the administrative services that SGI will provide.

The following description is a summary only. For more complete information, reference should be made to the Plan document.

Eligibility

Under the Plan, SGI out-of-scope employees are eligible for benefits upon termination of employment with SGI. Employees who are terminated for cause are not eligible. Employees must reach their benefit eligibility date prior to termination in order to receive benefits from the Plan. The benefit eligibility date is the date where the sum of the employee's age and years of service for eligibility equals 75 years.

At December 31, 2004, there were 201 (2003 – 203) participants in the Plan and 10 (2003 – 8) terminated participants who received benefits from the Plan during the year.

Benefits

Employees meeting the eligibility criteria receive a lump sum payment of three days salary for each year of service with SGI. Prior to 2003, employees meeting the eligibility criteria received a lump sum payment of two days salary for each year of service with SGI. For the President, SGI's Board of Directors may award a payment of up to five days salary for each year of service.

2. Significant Accounting Policies

These financial statements were prepared in accordance with Canadian generally accepted accounting principles.

3. Accrued Benefits Obligation

The accrued benefits obligation of the Plan is receivable from SGI and will be funded by SGI as eligible employees retire. The present value of the accrued benefits obligation was determined using the projected benefits method prorated on service and the best estimate assumptions of SGI's management. Actuarial gains (losses) result from changes in actuarial assumptions and are

recognized as an increase or decrease in the accrued benefits obligation in the statement of changes in accrued benefits obligation.

Larry Miller, a fellow of the Canadian Institute of Actuaries, performed an actuarial valuation as at December 31, 2004 to determine the actuarial present value of the accrued benefits obligation. The next valuation will be completed as at December 31, 2005.

The accrued benefits obligation is based on many assumptions about future events. Actual experience may vary significantly from the long-term assumptions used. The actuarial valuation is based on the following significant assumptions:

	2004	2003
Discount rate		
Beginning of year	5.64%	5.56%
End of year	5.10%	5.64%
Inflation rate	3.00%	3.00%
General salary increase	4.00%	4.00%
Expected average remaining service life (EARSL)	10 years	10 years

The following illustrates the effect of changes in these assumptions on the accrued benefits obligation:

Assumption	Change Made	Change in Obligation at December 31, 2004 (000's)	Percentage change in Obligation
Inflation Rate	Plus 1%	3	0.09%
	Minus 1%	(3)	(0.09%)
Discount Rate	Plus 1%	(272)	(8.36%)
	Minus 1%	311	9.57%
General Salary Increase	Plus 1%	312	9.58%
	Minus 1%	(277)	(8.51%)

The actuarial present value of the accrued benefits obligation is long-term in nature and there is no market for settling this obligation. Therefore, determination of the fair value is not practicable.

4. Related Party Transactions

Included in these financial statements are transactions with SGI who is related to the Plan by virtue of common control by the Government of Saskatchewan.

The Plan has received the use of office space and administrative services from SGI at no charge. Additionally, PEBA provides administrative services to the Plan for an administration fee which is paid by SGI.